

D.P.U. 93-3B

Application of Commonwealth Electric Company, under the provisions of G.L. c. 164, § 94G, as amended by St. 1981, c. 375, and the Company's tariff, M.D.P.U. No. 275, for approval by the Department of Public Utilities of a change in the quarterly Fuel Charge to be billed to the Company's customers pursuant to meter readings in the billing months of July, August, and September 1993.

Application by Commonwealth Electric Company for approval by the Department of Public Utilities of rates to be paid to Qualifying Facilities for purchases of power pursuant to 220 C.M.R. 8.00 and M.D.P.U. No. 251. The rules established in 220 C.M.R. 8.00 set forth the filings to be made by utilities with the Department, and implement the intent of sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978.

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FOR: COMMONWEALTH ELECTRIC COMPANY  
Petitioner

## I. INTRODUCTION

On June 8, 1993, Commonwealth Electric Company ("Commonwealth" or "Company") filed with the Department of Public Utilities ("Department") an initial petition seeking a quarterly change to its fuel charge, in conformance with its tariff M.D.P.U. 275, and a change in the rates to be paid to qualifying facilities ("QF") for purchased power, pursuant to 220 C.M.R. 8.00, M.D.P.U. No. 251 and the Department's rules governing such rates. The Company requests that both these rates be effective for bills issued pursuant to meter readings in the billing months of July, August, and September 1993.

Commonwealth, a wholly-owned subsidiary of Commonwealth Energy System ("ComEnergy"), serves approximately 258,000 customers in 38 cities and towns in southeastern Massachusetts, on Cape Cod, and on Martha's Vineyard. ComEnergy is an exempt holding company under the Public Utility Holding Company Act of 1935. ComEnergy's other subsidiaries, affiliates of Commonwealth, include Cambridge Electric Light Company ("Cambridge"), Canal Electric Company ("Canal"), Commonwealth Gas Company, and Commonwealth Energy Service Company ("ComEnergy Service"). Commonwealth operates several small oil/gas-fired generating units and has contractual interests in the Pilgrim 1, Yankee Rowe, and Point Lepreau nuclear units. The Company also has contractual interests in Canal Unit 1 ("Canal 1") and Canal Unit 2 ("Canal 2"). Canal 1 and 2 are large oil-fired units operated by the Company's affiliate, Canal.

On June 18, 1993, the Company filed with the Department a

supplemental petition containing proposed changes to the fuel charge and the QF power purchase rates. For the July, August, and September 1993 quarter, the Company proposes to charge \$0.06543 per kilowatthour ("KWH"). In the Company's last fuel charge proceeding, D.P.U. 93-3A, the Department authorized a fuel charge of \$0.06577 per KWH, effective for bills issued pursuant to meter readings in the months of April, May, and June 1993. Commonwealth Electric Company D.P.U. 93-3A (1993).

The Department scheduled a public hearing on the Company's application for June 24, 1993, at the Department's offices, 100 Cambridge Street, Boston, Massachusetts. The Department ordered the Company to give notice of the hearing by publication in the New Bedford Standard Times, the Cape Cod Times, and the Boston Globe; also, the Company was required to give notice to all intervenors in the Company's two most recent fuel charge hearings and to their respective counsel. There were no petitions to intervene filed in this proceeding.

The Company presented three witnesses in support of its application: Charles R. Fox, Jr., senior rate analyst, ComEnergy; Michael R. Kirkwood, director of resource planning and administration, ComEnergy; and Anthony J. Casella, manager of rate administration, ComEnergy. The Company submitted seven exhibits: the prefiled testimony of Charles R. Fox (Exh. CEC-1); schedules in support of Mr. Fox's testimony (Exh. CEC-2); bills and contracts for fuel oil supplies, purchased power, and transmission services for March, April, and May 1993 (Exh. CEC-3); the prefiled testimony of Michael R. Kirkwood (Exh.

CEC-4); and schedules in support of Mr. Kirkwood's testimony (Exh. CEC-5); a letter from the Company to Tenaska Mass, Inc. (Exh. CEC-6); and the prefiled testimony of Mr. Anthony J. Casella (Exh. CEC-7). Three record requests were issued during the proceeding.

## II. FUEL CHARGE

The Company's proposed fuel charge of \$0.06543 per KWH is \$0.00034 lower than the charge authorized in D.P.U. 93-3A for the quarter ending June 30, 1993 (Exh. CEC-1, at 4). The Company has proposed to levelize its fuel charge over a period of nine months in order to mitigate expected high volatility in the fuel charge.<sup>1</sup> Under the Company's proposal, it would be permitted to recover an additional \$4.5 million during the current quarter, and reduce its recoverable fuel charge expenses over the next two quarters by the \$4.5 million, with interest. The fuel charge is calculated by dividing the projected recoverable costs by the projected level of KWHs sold. The Company indicates the primary reason for the need for a levelizing adjustment is the seasonal volatility of its KWH sales (Exh. CEC-7, at 4-5). The Company anticipates a net increase in sales of 127,365,000 KWHs due to seasonal weather conditions (Exh. CEC-1, at 7). The Company stated that the effect of the increase in KWH sales is to decrease the fuel charge id.).

The Company projects its recoverable costs, including the

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<sup>1</sup> The Company's current fuel charge is \$0.06577. Without the levelizing adjustment, the proposed fuel charge would be \$0.06017, a \$0.0056 decrease, and the subsequent quarter fuel charge is projected to be \$0.07069, a \$0.01052 increase.

levelizing adjustment, to be \$8,086,324 greater than recoverable costs in the previous quarter. In addition to the levelizing adjustment, the Company provided several reasons for the projected net increase in recoverable costs for the next quarter compared to the current quarter. First, the Company projects an increase of \$4,235,800 for purchased power and demand transmission costs (Exh. CEC-1, at 7). Mr. Kirkwood stated that the majority of the increase in purchased power and demand transmission costs results from contracts with Masspower and a contract with Altresco-Pittsfield (Tr. at 68). Second, the Company projects an increase of \$422,624 from the prior period reconciling adjustment. Third, the Company projects energy costs to decrease by \$1,072,100 (Exh. CEC-1, at 7) Mr. Kirkwood stated that the primary reason for the decrease in energy costs results from the Masspower and Altresco-Pittsfield contracts (Tr. at 69). In addition, the Company projects a decrease in energy costs from its Boott Hydro unit (id.).

Based on the evidence in this case, the Department finds that the fuel charge to be used by the Company for the billing months of July, August, September 1993 shall be \$0.06387 per KWH, subject to refund. In making this finding, the Department rejects the Company's levelizing adjustment proposal as a mechanism to mitigate the volatility of the fuel charge. However, the Department notes that in this particular instance, because of the unique circumstances facing the Company at this time, it is appropriate to take some action to reduce an anticipated increase in the fuel charge in the next quarter.

Specifically, the Department notes that additional capacity costs in the next quarter resulting from contracts with Masspower, Altresco-Pittsfield, and Dartmouth Power will have the effect of increasing the fuel charge (DPU-RR-3). Accordingly, the Company shall be allowed to include in recoverable costs in the current quarter the capacity costs of \$3.164 million resulting from contracts with Masspower, Altresco-Pittsfield, and Dartmouth Power which would have been included as recoverable costs in the next quarter fuel charge calculation. The effect of allowing the Company to include the capacity costs associated with these contracts as recoverable costs for calculation of the fuel charge in the current quarter is to reduce the volatility of the fuel charge. The Company shall be required to calculate interest on this amount and deduct this interest from the next quarter recoverable costs. The calculation of the fuel charge is shown in Table 1, which is attached to this Order.

Consistent with the Order in Commonwealth Electric Company D.P.U. 90-3C (1990), regarding FERC-approved demand and energy costs associated with Seabrook 1, the Department will follow its precedent and allow the Company to include these costs in rates subject to refund upon the outcome of any prudence investigation the Department may conduct.

### III. QUALIFYING FACILITIES

The Department's rules, 220 C.M.R. 8.00, require that rates to be paid to QFs for energy be set with the same frequency as the fuel charge. A QF is a small power producer or cogenerator that meets the criteria established by the Federal Energy

Regulatory Commission in 18 C.F.R. 292.203(a) and adopted by the Department in 220 C.M.R. 8.02. In Exhibit CEC-4, Schedule 1, at 1, the Company proposed standard rates to be paid to QFs during July, August, and September 1993. The rates proposed are displayed in the following table:

Energy Rate By Voltage Level (Dollars/KWH)

<u>Voltage Level</u>	<u>Peak Period</u>	<u>Off-Peak Period</u>	<u>Total Period</u>
Primary	0.02928	0.02849	0.02870
Secondary	0.03041	0.02965	0.02984

The Company also proposed short-run capacity rates of \$0.05364 for the primary and \$0.05456 for the secondary voltage levels for July through September (Exh. CEC-4, Sch. 1, at 9).

Based on the evidence in this case, the Department finds that the proper QF power purchase rates for July, August, and September 1992, shall be those set forth above.

IV. ORDER

Accordingly, after due notice, public hearing, and consideration, it is

ORDERED: That Commonwealth Electric Company is authorized to put into effect a quarterly fuel charge of \$0.06387 per KWH, subject to refund, for bills issued pursuant to meter readings in the billing months of July, August, and September 1993; and it is

FURTHER ORDERED That such fuel charge shall apply to all KWHs sold to the Company's customers subject to the jurisdiction of the Department and shall be itemized separately on all such customers' bills; and it is

FURTHER ORDERED That Commonwealth Electric Company's QF

power purchase rates for the billing months of July, August, and September 1992, shall be those shown in Section III of this Order; and it is

FURTHER ORDERED That the Company shall, in all future fuel charge proceedings, provide all intervenors, limited participants, and their respective counsel from the prior two fuel charge proceedings with a copy of its fuel charge filing on the same day it is filed with the Department; and it is

FURTHER ORDERED That, pursuant to G.L. c. 164, § 94G, the fuel charge authorized by this Order is subject to such disallowance as the Department may determine in any subsequent investigation of the Company's Seabrook purchases or of any performance period which includes the quarter applicable to the present charge.

By Order of the Department,